

Message Text

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PAGE 01 TAIPEI 07640 01 OF 02 271026Z

ACTION EA-12

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 SOE-02
OMB-01 DOE-11 /100 W

-----014979 271035Z /17

P 270935Z DEC 77

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC PRIORITY 5902

LIMITED OFFICIAL USE SECTION 1 OF 2 TAIPEI 7640

E.O. 11652: N/A

TAGS: BEXP, ETRD, TW

SUBJECT: ROC GOVERNMENT BUYING MISSION

REF: A) STATE 304798, B) STATE 305021, C) TAIPEI 7621,
D) TAIPEI 6783

1. ACCOMPANIED BY ECONCOUN, I CALLED ON MINISTER OF ECONOMIC AFFAIRS Y. S. SUN DECEMBER 27 TO EXPRESS USG CONCERN THAT ROC BUYING MISSION WOULD NOT HAVE SIGNIFICANT IMPACT ON REDUCING ROC TRADE SURPLUS WITH US BASED ON MISSION'S PRESENT PURPOSES, COMPOSITION AND ITINERARY. I LEFT WITH MINISTER COPY OF "TALKING POINTS" I USED IN MY PRESENTATION, AS FOLLOWS:

QUOTE

1. ON NOVEMBER 5, THE UNITED STATES EMBASSY WAS INFORMED THAT THE GOVERNMENT OF THE REPUBLIC OF CHINA PROPOSED TO TAKE CERTAIN MEASURES TO INCREASE IMPORTS FROM THE UNITED STATES IN ORDER TO REDUCE THE MORE THAN US\$1 BILLION FAVORABLE TRADE BALANCE WHICH THE REPUBLIC OF CHINA CURRENTLY ENJOYS WITH THE UNITED STATES. THE UNITED STATES GOVERNMENT GREATLY
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PAGE 02 TAIPEI 07640 01 OF 02 271026Z

APPRECIATES THIS INITIATIVE AND HOPES THAT THE MEASURES TO BE TAKEN WILL BE IMPLEMENTED IN A TIMELY AND EFFECTIVE MANNER.

2. ONE OF THE MEASURES ANNOUNCED BY THE GOVERNMENT OF THE REPUBLIC OF CHINA IS THE SENDING OF A SPECIAL PROCUREMENT MISSION TO THE UNITED STATES EARLY IN 1978. THE EMBASSY HAS BEEN KEPT INFORMED BY THE BUREAU OF FOR-

EIGN TRADE ABOUT THE PLANNING FOR THAT MISSION AND THE U.S. DEPARTMENTS OF STATE, COMMERCE AND AGRICULTURE HAVE OFFERED TO ASSIST THE MISSION IN CARRYING OUT ITS PURPOSES.

3. BASED ON INFORMATION RECEIVED TO DATE REGARDING THE PURPOSES OF THE MISSION, ITS COMPOSITION AND ITS ITINERARY, IT APPEARS THAT IN FACT THE MISSION IS NOT LIKELY TO HAVE A SIGNIFICANT IMPACT ON REDUCING THE TRADE IMBALANCE BETWEEN THE REPUBLIC OF CHINA AND THE UNITED STATES NOR IS IT LIKELY TO GENERATE SIGNIFICANT PURCHASES IN AMERICAN WHICH HAVE NOT ALREADY BEEN CONTEMPLATED. A TWO OR THREE-DAY STOP IN SOME FOURTEEN STATE CAPITALS WILL NOT LEAVE MUCH TIME FOR SERIOUS EXPLORATION OF SIGNIFICANT NEW TYPES OF PURCHASES IN THE UNITED STATES. FOR EXAMPLE, ALMOST ONE-HALF OF THE PROPOSED MISSION IS FROM THE AGRICULTURW SECTOR; AT THE SAME TIME, THERE IS LITTLE EVIDENCE THAT PURCHASES OF AGRICULTURAL COMMODITIES INCLUDED IN THE PROPOSAL OF NOVEMBER 5 WILL BE INCREASED APPRECIABLY ABOVE LEVELS ALREADY AGREED TO IN THE FIVE-YEAR SUPPLY AGREEMENTS SIGNED WITH THE U.S. GRAIN TRADE IN MARCH 1976.

4. THE WITHDRAWAL OF ALL BUT THREE REPRESENTATIVES OF STATE ENTERPRISES FROM THE SPECIAL PROCUREMENT MISSION APPEARS UNFORTUNATE AS WELL AS THE FACT THAT, AS LIMITED OFFICIAL USE

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PAGE 03 TAIPEI 07640 01 OF 02 271026Z

CURRENTLY PLANNED, THE MISSION WILL NOT VISIT LOCALITIES (FOR EXAMPLE, THE INDUSTRIAL HEARTLANDS OF THE NORTH-EASTERN AND MIDWESTERN UNITED STATES) IN WHICH THE GREATEST POTENTIAL FOR SALES EXISTS. IT IS HOPED THAT THE DESIRE TO TAKE ADVANTAGE OF THE PUBLIC RELATIONS ASPECT OF THE MISSION WILL NOT TAKE PRECEDENCE OVER THE ACTUAL NEGOTIATION OF PURCHASES. TO BE SUCCESSFUL, A SERIS BUYING MISSION SHOULD SPEND CONSIDERABLE TIME ON PLANT VISITS, ATTEND APPROPRIATE TRADE SHOWS, ESTABLISH CONTACT WITH TRADE ASSOCIATIONS ETC AND THE U.S. GOVERNMENT IS FULLY PREPARED TO ASSIST IN EVERY APPROPRIATE WAY. IT IS SUGGESTED THAT THE PROJECTED VISIT TO WASHINGTON, D. C. BE MADE AT THE BEGINNING OF THE MISSION IN ORDER THAT SENIOR OFFICIALS OF THE U.S. GOVERNMENT CAN HAVE THE OPPORTUNITY TO BRIEF THE MISSION ON CURRENT TRENDS AND U.S. VIEWS ON TRADE PROBLEMS AND OPPORTUNITIES BETWEEN THE REPUBLIC OF CHINA AND THE UNITED STATES.

5. OBVIOUSLY, A SINGLE BUYING MISSION TO THE UNITED STATES WILL NOT REDUCE THE TRADE IMBALANCE SUBSTANTIALY. IT IS UNDERSTOOD THAT THERE WILL BE FURTHER MISSIONS

WITH MORE SPECIFIC PURCHASING ROLES; THE U.S. EMBASSY
WILL BE HAPPY TO WORK WITH SUCH GROUPS TO PLAN THEIR
TRIP TO MAXIMIZE THE IMPACT ON THE TRADE IMBALANCE PRO-
BLEM. THERE ARE SEVERAL OTHER MEASURES WHICH THE
GOVERNMENT OF THE REPUBLIC OF CHINA MIGHT TAKE IN ORDER
TO REDUCE THE TRADE IMBALANCE AND IMPROVE THE LONG-RUN
U.S. MARKET POSITION IN THE REPUBLIC OF CHINA. THESE
RELATE TO BASIC CHANGES IN THE GOVERNMENT'S TRADE
POLICIES. (THIS DOES NOT REFER TO TARIFFS WHICH PRE-
SUMABLY WILL BE DEALT WITH IN US-ROC BILATERAL NEGOTI-
ATIONS FOLLOWING THE CONCLUSION OF THE MTN NEGOTIATIONS
IN GENEVA, BUT RATHER TO NON-TARIFF BARRIERS -- NTB.)
FOR EXAMPLE, BECAUSE OF PROCUREMENT POLICIES,
AN APPLE FROM WASHINGTON STATE SELLING FOR 10 CENTS IN
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PAGE 04 TAIPEI 07640 01 OF 02 271026Z

A WASHINGTON SUPERMARKET, COSTS THE CONSUMER IN TAIPEI
US\$1.00. THE DUTY UP-LIFT SYSTEM OF THE REPUBLIC OF
CHINA WHEREBY CUSTOMS AUTHORITIES DEFINE DUTIABLE VALUE
AS CIF PRICES PLUS 20 PERCENT MEANS THAT U.S. GOODS
SELL IN TAIWAN MARKET FOR UP TO 200 PERCENT GREATER
THAN THEY ARE SOLD FOR IN THE UNITED STATES.

6. THE CURRENT TRADE DEFICIT WITH THE REPUBLIC OF
CHINA IS REGARDED AS A VERY SERIOUS MATTER BY THE U.S.
GOVERNMENT. PROTECTIONIST SENTIMENT IN THE UNITED STATES
IS GROWING RAPIDLY AND COULD HAVE SERIOUS REPERVUSSIONS.
THUS, IT IS ESPECIALLY IMPORTANT THAT TRADING PARTNERS
OF THE UNITED STATES WHICH ENJOY FAVORABLE TRADE SURPLUSES
SEEK VIGOROUSLY TO REDUCE THOSE SURPLUSES. IN THE
ABSENCE OF SUCH STEPS THE SENTIMENT TO RESTRICT IMPORTS
INTO THE UNITED STATES WILL CONTINUE TO INCREASE AND
IT WILL BE INCREASINGLY DIFFICULT TO AVOID PROTECTIONIST
MEASURES." END QUOTE

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PAGE 01 TAIPEI 07640 02 OF 02 271015Z
ACTION EA-12

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 SOE-02
OMB-01 DOE-11 /100 W

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P 270935Z DEC 77

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC PRIORITY 5903

LIMITED OFFICIAL USE SECTION 2 OF 2 TAIPEI 7640

2. I OPENED CONVERSATION WITH MINISTER BY REFERRING TO MEETING I HAD WITH PREMIER ON NOVEMBER 10 (REFTEL D) IN WHICH CIANG CHING-KUO EMPHASIZED GROC DETERMINATION TO REDUCE TRADE IMBALANCE WITH US BY TAKING MEASURES CONTAINED IN NOTE VERBALE OF NOVEMBER 5 (REFTEL E). ONE OF THESE MEASURES WAS THE SENDING OF PURCHASING MISSION TO US AND IT WAS PRINCIPALLY THAT MISSION THAT I WISHED TO DISCUSS WITH MINISTER TODAY. I THEN READ ALOUD "TALKING POINTS" MENTIONED PARA 1 ABOVE.

3. MINISTER SUN STATED THAT HE APPRECIATED USG CONCERN THAT MISSION NOT BE MERELY VEHICLE TO ACHIEVE MAXIMUM PUBLICITY FOR ROC. OBVIOUSLY, ROC HOPES TO OBTAIN POLITICAL BENEFIT FROM MISSION BUT ITS MAIN PURPOSE IS TO PROVE SINCERITY OF ROC EFFORT TO REDUCE TRADE IMBALANCE BY SIGNING OR NEGOTIATING CONTRACTS FOR GOODS WORTH US\$200-300 MILLION. MISSION MEMBERS ARE BEING SELECTED FOR THEIR AUTHORITY TO MAKE DECISIONS ON THE SPOT WITH U.S. IN THE CASE OF AGRICULTURAL COMMODITIES, IT IS TRUE THAT SOME OF THE CONTRACTS TO BE SIGNED WILL BE FOR COMMODITIES CONTRACTED FOR PREVIOUSLY, BUT CONTRACTS ALSO WILL BE SIGNED FOR ADDITIONAL AMOUNTS OF FEED GRAINS. AS FOR NON-AGRICULTURAL

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PAGE 02 TAIPEI 07640 02 OF 02 271015Z

TURAL GOODS, THE REPRESENTATIVES OF GROC ENTERPRISES ON THIS PARTICULAR MISSION WILL NOT BE SIGNING A LARGE NUMBER OF CONTRACTS BECAUSE OF THE REQUIREMENTS OF THE GROC TENDER SYSTEM BUT WHEN DEALS CAN BE CONSUMMATED THEY WILL BE. REPRESENTATIVES OF THE PRIVATE SECTOR ALSO WILL BE NEGOTIATING CONTRACTS FOR A NUMBER OF ITEMS. THE MINISTER ALSO COMMENTED THAT ONE OF THE MAIN PURPOSES OF THE MISSION IS TO MEET POTENTIAL SUPPLIERS FOR THE ROC MARKET, PARTICULARLY OF ITEMS WHICH HISTORICALLY HAVE BEEN PURCHASED FROM JAPAN. MANY ROC ENTREPRENEURS DO NOT KNOW THE US MARKET WHILE OTHERS, E.G., TAIPOWER, KNOW IT VERY WELL. SPEAKING OF TAIPOWER, MINISTER SUN MENTIONED THAT THE UTILITY IS VERY MUCH INTERESTED IN PURCHASING ADDITIONAL QUANTITIES OF URANIUM (US\$100-150 MILLION), FOR WHICH EXIM FIN-

ANCING MAY BE SOUGHT.

4. AS FOR CHANGING THE MISSION'S SCHEDULE TO PROVIDE FOR A KICKOFF IN WASHINGTON, THE MINISTER ANSWERED THAT HIS WOULD BE DIFFICULT SINCE MOST OF THE PRIVATE SECTOR MEMBERS MUST BE BACK IN TAIPEI EARLY IN FEBRUARY. THAT IS WHY THE MISSION IS SCHEDULED TO START ITS ACTIVITIES IN CALIFORNIA. IT ALSO WILL BE DIFFICULT TO ADD MORE STOPS (NORTHEAST AND MIDWEST). HOWEVER, HE WILL ASK H. K. SHAO, DIRECTOR GENERAL OF THE BOARD OF FOREIGN TRADE AND MISSION LEADER, TO GET TOGETHER WITH ECON COUN NOVEMBER 28 TO SEE WHAT CHANGES IN ITINERARY CAN BE WORKED OUT.

5. BEFORE LEAVING I MENTIONED TO MINISTER THAT DCM HAD HAD SIMILAR MEETING WITH VICE MINISTER OF FOREIGN AFFAIRS FRED CHIEN EARLIER TODAY. CHIEN BEING PROVIDED COPY OF TALKING POINTS (SEE PARA 1 ABOVE).
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PAGE 03 TAIPEI 07640 02 OF 02 271015Z

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Message Attributes

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Capture Date: 01-Jan-1994 12:00:00 am
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Current Classification: UNCLASSIFIED
Concepts: TRADE VISITS
Control Number: n/a
Copy: SINGLE
Sent Date: 27-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Format: TEL
From: TAIPEI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771215/aaaaalrv.tel
Line Count: 249
Litigation Code IDs:
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Litigation History:
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